

FISCAL NOTE

Bill #: SB0474

Title: Senior prescription drug coverage

Primary Sponsor: Thomas, F

Status: Third Reading

Sponsor signature _____ Date _____

Chuck Swysgood, Budget Director _____ Date _____

Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:		
General Fund	\$0	\$293,514
Federal Special Revenue		\$91,181
Revenue:		
General Fund	\$0	\$0
Federal Special Revenue		\$91,181
Net Impact on General Fund Balance:	\$0	(\$293,514)

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Health Policy Services Division (Prg 07)

1. This fiscal note assumes that the electorate will approve this initiative in the November, 2004 election.
2. It is estimated that applications will begin being accepted in August of 2005, with benefits beginning in November of 2005; therefore, there are no application fee revenues or benefit expenses until FY 2006.
3. This fiscal note shows the administrative costs for starting up the program, which will be incurred in FY 2005.
4. A 1.00 FTE contract manager will be needed in FY 2005 to develop and implement the Montana Gold Senior Pharmacy program. It is assumed the 1.00 FTE would be an entry-level grade 16 position at an estimated cost of \$44,276 annually, including benefits. This position would begin in December of 2005, and \$25,828 in salary and benefits would be incurred in FY 2005. ($\$44,276/12 = \$3,690 \times 7 = \$25,828$).
5. Operating costs for this FTE are estimated to be \$6,535 in FY 2005. This includes a new computer, rent, office furniture, and phone.
6. The department will issue a request for proposal (RFP) for assistance in the development of the program. This RFP will require actuary services at an estimated cost of \$150,000 in FY 2005. This estimate assumes \$300 per hour for the actuary for 500 hours.

Fiscal Note Request SB0474, Third Reading
(continued)

Human and Community Services Division (Prg 02)

7. The Medicaid caseload is 46,236 cases (Feb. 2003). Currently, 105 Medicaid Eligibility workers handle this caseload (296 eligibility workers are assigned for all public assistance program, spending 35.56 percent of their time on Medicaid eligibility).
8. Each eligibility worker can handle approximately 440 Medicaid cases per year. It is estimated that 33,915 Montanans will apply for and /or be eligible for this program. The bill's eligibility requirements are new and complicated, but not as complicated as Medicaid because there is no asset test required. Therefore, as a general estimate, a worker may be able to handle between two and six times as many Montana Gold cases as Medicaid cases.
9. It is estimated that it would take a total of between 15.00 and 45.00 FTE to determine program eligibility. The number of FTE will depend on the complexity of the eligibility requirements. If 45.00 FTE were necessary, these would consist of 39.00 FTE eligibility workers at a grade 11 pay grade, 5.00 FTE supervisors at pay grade 14, and a 1.00 FTE program officer grade 15.
10. These staff if approved and funded by the 2005 Legislature would not start until July 2005, so there would be no costs in the 2005 biennium.

Director's Office (Prg 04)

11. It is estimated that this program would require the work of one 0.50 FTE attorney at a cost of \$15,928 for FY2005. This position would start January 1, 2005. The workload for the attorney would include the development of administrative rules and rule changes on an ongoing basis, reviews of federal law and contract preparation and reviews. This workload will continue beyond FY2005.
12. The Secretary of State's office currently charges \$40.00 per page to print administrative rules. It is estimated that the initial changes to administrative rules as a result of this bill would require printing 100 pages at a cost of \$4,000 in FY2005.
13. It is estimated that the cost to set up an office and ongoing operations costs, including rent, supplies and phone, associated with one 0.50 FTE attorney would be \$2,405 in FY2005.
14. This Office of Legal Affairs function would be funded with 100 percent general fund.

Operations and Technology Division (Prg 09)

15. Eligibility system enhancements are estimated to be approximately 2000 hours, at a cost of \$90.00 per hour, for a total cost of \$180,000 in FY 2005.
16. System enhancements will be funded with 100 percent general funds.

FISCAL IMPACT:

	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
<u>Health Policy Services Division (Prg 07)</u>		
FTE		1.00
<u>Expenditures:</u>		
Personal Services	\$0	\$25,827
Operating Expenses	<u>0</u>	<u>156,535</u>
TOTAL	\$0	\$182,362
<u>Funding of Expenditures:</u>		
General Fund (01)	\$0	\$91,181
Federal Special Revenue (03)	<u>0</u>	<u>91,181</u>
TOTAL	\$0	\$182,362

Fiscal Note Request SB0474, Third Reading
(continued)

Revenues:

Federal Special Revenue (03)		\$91,181
------------------------------	--	----------

Director's Office (Prg 04)

FTE	0.00	0.25
-----	------	------

Expenditures:

Personal Services	\$0	\$15,928
Operating Expenses	<u>0</u>	<u>6,405</u>
TOTAL	\$0	\$22,333

Funding of Expenditures:

General Fund (01)	\$0	\$22,333
-------------------	-----	----------

Operations and Technology Division (Prg 09)

Expenditures:

Operating Expenses	\$0	\$180,000
--------------------	-----	-----------

Funding of Expenditures:

General Fund (01)	\$0	\$180,000
-------------------	-----	-----------

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$0	(\$293,514)
-------------------	-----	-------------

LONG-RANGE IMPACTS

1. This program does not go into effect before the next biennium.
2. The magnitude of this program and the required amount of state funding are undefined.
3. Based upon information developed for the fiscal note for a previous version the bill, if the program were approved by the voters, it is estimated that there could be approximately \$10,605,285 paid in benefits in FY 2006, consisting of \$7,681,408 in federal funds with a requirement of \$2,923,877 in matching funds. Approximate benefits in FY 2007 would be \$27,203,482, consisting of \$19,703,482 in federal funds and \$7,500,000 in matching funds. Benefits for FY 2007 are capped based on an estimate of \$7,500,000 state matching funds.
4. The level and source of state funding will be defined through appropriation of the 2005 Legislature.

TECHNICAL NOTES:

Health Policy Services Division (Prg 07)

1. Section (5), Part 5 of the bill requires the DPHHS to request a federal waiver to maximize federal participation. The intent of the bill is for the DPHHS to apply for and receive approval for a Pharmacy Plus Medicaid waiver. Section (5) Part 2 conflicts as it specifically excludes from participation a senior citizen who is eligible for Medicaid. This bill is unclear if a member can qualify for Medicaid or not and still be a member if a Medicaid waiver is requested and approved.
2. If the federal waiver is denied, Section (5), Part 5 states that the DPHHS will implement the program using available state funds. It is unclear where these state funds will come from.

Fiscal Note Request SB0474, Third Reading

(continued)

3. The bill as amended changes the benefit package to require premium payments from the senior citizen. The amendment now provides for a payment from the account to subsidize a portion of the cost of prescription drugs. The annual premium benefit is based a percentage that will be applied based upon the senior citizens' percent of poverty. Therefore, if a senior citizen is between 175% and 199% of the federal poverty level the program pays 60% percent of the premium amount and the senior citizen pays 40% of the premium amount. Monthly premiums under a Medicaid program are difficult to administer and collect. Since this program is defined as an annual benefit in Section 5 (2), monthly premiums complicate the administration of the program. If a client does not pay the monthly premium then eligibility will have to be terminated for this annual benefit. This will increase the administrative costs of the contract and ultimately reduce the funding available for pharmacy benefits.
4. The bill has a requirement that an individual does not qualify for this program if they are eligible for Medicaid. In the eligibility determination process, if an individual looks like they qualify for Medicaid then a referral will be made for Medicaid eligibility. This will increase the Medicaid caseload and increase Medicaid costs.
5. Drug rebates on the coverage of the pharmacy benefit will be available from manufacturers under the Medicaid program. The drug rebates amount to approximately 18% of program expenditures. The drug rebates would be deposited into the state special revenue account.
6. **Human and Community Services Division (Prg 02)**
7. Income level is set at 199 percent of FPL in the bill. Most programs with a similar income level set it at 200 percent of FPL. Having a 1 percent difference in the two may require a second calculation to be made. This additional calculation would require more administrative steps to determine eligibility.
8. The bill requires that the recipient "not be eligible for Medicaid." Therefore, a Medicaid eligibility determination would need to be done for those with incomes close to the Medicaid eligibility level. This program eligibility would require more work on the part of the Offices of Public Assistance.